

Memorandum

To: Lisa Briggs
From: James Ingram
Re: Proposed Charter Language to Mandate a Balanced Budget
Date: August 26, 2007

Per Subcommittee request, staff has drafted three proposed options for Charter language that would mandate a balanced budget.

Proposed Charter Language

Option 1—Brief Language

Sec.____. The operations of the City shall be such that, at the end of the fiscal year, the results thereof shall not show a deficit when reported in accordance with generally accepted accounting principles.

Option 2—Specified Consequences for Failure to Balance the Budget

Sec.____. The operations of the City shall be such that, at the end of the fiscal year, the results thereof shall not show a deficit when reported in accordance with generally accepted accounting principles. In the event that the results of the City's operations during the preceding fiscal year have not comported with this requirement, the City shall make provision for repayment of any deficit incurred by the City during said fiscal year.

Option 3—Mayoral Authority to Ensure Balanced Budget with Mid-year Corrections

Sec.____. The operations of the City shall be such that, at the end of the fiscal year, the results thereof shall not show a deficit when reported in accordance with generally accepted accounting principles. In the event that the results of the City's operations during the preceding fiscal year have not comported with this requirement, the City shall make provision for repayment of any deficit incurred by the City during said fiscal year. If the Mayor determines during the course of any fiscal year that the City will end the year with a deficit when reported in accordance with generally accepted accounting principles, then the Mayor shall reduce the expenditures of all City departments by a percentage sufficient to prevent the City from showing said deficit. All departments shall have their appropriations reduced by the same percentage, to ensure that the relative amounts allocated for all departments remain at the levels established by the City's budget.

Staff Analysis

The Independent Budget Analyst's (IBA's) Office and the Mayor's Office have both recommended that the Subcommittee forward elegant language for the balanced budget requirement. If the proposed language attempts to specify the process in detail, then it may end up too verbose and more likely become obsolete. All three of these options refer to GAAP rather than establishing inflexible standards that may quickly become obsolete. All three of these options require year-end balance, which is a more rigid standard than mandating that budgets be balanced when recommended by the Mayor and adopted by the Council.

The Subcommittee requested that Subcommittee member John Gordon draft proposed Charter language to address the problem that sometimes cities evade balanced budget requirements by raiding the capital improvements fund. That language could be incorporated into any of these three options when it is brought forward and reviewed by the Subcommittee.

Regardless of which of the three options is adopted, the proposed Charter language should probably be located in Charter section 71. If it is added to that section, then it will both cause Charter section 290 (b)(2)(B) in Article XV to be correct because Charter section 71 will then require a balanced budget. The fact that the balanced budget would be cited as part of the Mayor and Council's actions under the budget veto and override process would also ensure that it would be mentioned a second time in the Charter, and might thus be less likely to be ignored.